

The difference between a moral man and a man of honor is that the latter regrets a discreditable act, even when it has no effect and he has not been caught.

H. L. Mencken

Optimism about GDP growth

The GDP growth rate of 7.7 per cent in the fourth quarter (Jan.-March) of 2017-18 has lifted the spirit of the Government. The growth rate for the full year is estimated to be 6.7 per cent. The growth is due mainly to the manufacturing and construction sectors. Even so, the growth is slower than the previous year's (2016-17) 7.1 per cent. The Chief Economic Adviser has claimed that "the impact of the GST is behind us." This is an indirect admission that GST did have a negative impact on the economy, which the Government was unwilling to admit earlier.

At the same time, there is the worrying fact that throughout 2017-18, the export growth was negative. The agriculture sector grew at 4.5 per cent in the last quarter but it was much below the growth rate of 7.1 per cent during the same period the previous year. The impact of the recent rise in fuel prices on the economy during the current fiscal can be assessed only later. Another fact that should be borne in mind is that post-demonetization there has been more job loss than job creation. Prime Minister Narendra Modi's pre-poll promise of creating 20 million jobs per year is better forgotten than remembered. The Prime Minister's Make in India initiative sought to raise the share of the manufacturing sector to the GDP from 16 per cent to 25 per cent and generate 200 million new jobs by 2022. Going by the present performance of the economy, both are impossible of achievement.

The fuel price hike in the global market will have a cascading effect on the economy. It will widen the gap in the current account deficit (CAD) from 1.7 per cent in the first nine months of 2017-18 to 2.5 per cent in fiscal 2018-19. The steady depreciation of the rupee against the dollar will make our imports costlier and exports cheaper. The more the rupee falls the greater will be our foreign debt. The farmers are fuming because they are not getting remunerative prices while their indebtedness increases. The Government's promise of paying them one and a half times that of production cost remains only on paper. All these negative factors have to be taken into account before exulting over the increase in the GDP rate. GDP growth rate notwithstanding, there is little hope for the common man in the foreseeable future.

A booster for opposition unity

REFLEX ACTION

Amulya Ganguli

The writing is on the wall. It is now obvious that a united opposition can defeat the BJP. As much is clear from the Kairana and Noorpur by-election results which are a continuation of the anti-BJP trends noted earlier in Gorakhpur and Phulpur.

These outcomes are of particular interest because they pertain to U.P. where the BJP won 71 of the 80 parliamentary seats in 2014. The party's dependence, therefore, on the need to put up a good show in the state is obvious if it wants to win the next general election. However, Kairana and Noorpur have been a dampener for the party. The results in these constituencies must also be disheartening for the U.P. chief minister, Yogi Adityanath, who is regarded as the BJP's poster boy. It will not do for the BJP to describe the alliance between the RLD, the SP, the BSP and the Congress in Kairana as opportunistic because it had constituted similar tie-ups in Goa, Manipur and Meghalaya. Surely what is opportunistic for the BJP's opponents cannot be deemed "principled" for the saffron party.

What the verdicts in U.P. have also highlighted is the failure of the BJP's communal agenda which again came to the fore during the sudden raising by the saffron cadres of the issue of a portrait of Mohammed Ali Jinnah which has been on display in Allgarh Muslim University since 1938. If the BJP's polarization tactic failed, so did the idea of Narendra Modi's charisma which could not influence the Kairana and Noorpur results despite the prime minister's rallies and roadshows in nearby areas. Clearly, the promise of vikas is not working either because development is not taking place at least where the question of employment is concerned or that the

claims about growth are seen as a jumla or a deceitful tactic since the saffron brotherhood's real focus is not on the economy but on creating Hindu-Muslim rifts as could be seen from BJP M.P. Vinay Katiyar's observation that the Muslims have no right to live in India and should go to Pakistan or Bangladesh.

If the Karnataka outcome showed that Modi's 21 rallies were not enough to swing an election in the BJP's favour, the U.P. verdict was a further confirmation of the possibility that the Modi magic is fading. It is not only the BJP which appears to be in trouble, even its ally in Bihar, the Janata Dal (United), must be realizing the mistake it made when it switched its allegiance from the "secular" Maha Gathbandhan (grand alliance) to the BJP. If Bihar chief minister Nitish Kumar wanted to get away from the dominance of the RJD leader, Laloo Prasad Yadav, it was a miscalculation in the sense that he came under the BJP's domination instead which has apparently not gone down well with not only the minorities but also the people of the state in general who do not like to see their chief minister being at the BJP's beck and call. Hence, the RJD's success in Jharkhand, which is the third successive victory of the RJD in recent months after its successes in Araria and Jehanabad. There is little doubt that the Jharkhand result will induce rethinking in the Nitish Kumar camp not only about the ties with

the BJP but also about his favourite prohibition policy as it evidently hasn't enhanced his popularity. The BJP, on its part, will draw some comfort from its success in Palghar over the Shiv Sena. But what it may be worried about is the possibility of the Shiv Sena joining the "secular" parties in an anti-BJP formation at least in Maharashtra if not in the rest of the country. The reason why there may be such an unlikely combination is that it will not be easy for the Shiv Sena to overturn its strident anti-BJP rhetoric of the past several years and make up with its senior partner in Maharashtra. With the NCP faring well in Bhandara-Gondia, it may not be entirely fanciful to see a formal or informal Congress-NCP-Shiv Sena alliance in the state.

If anti-incumbency saw the defeats suffered by Yogi Adityanath's government in U.P., it had no impact on the governments in West Bengal and Kerala where the Trinamool Congress and the CPI(M) have won in Maheshkhola and Chengannur, respectively. The former's success shows that the countrywide outrage over the violence during the recent panchayat elections in West Bengal has had no effect on Mamata Banerjee's image. Similarly, the unfortunate CPI(M)-RSS clashes and murders in Kerala has left the Pinarayi Vijayan government unaffected.

The lesson which the opposition at the national level will have to learn is that the anti-BJP forces must swim together if they do not want to sink. It remains to be seen whether the Janata Dal (Secular) Congress government in Karnataka will realize that it cannot give any impression of being an unstable combine even if the two parties do not appear to be natural allies. (IPA)



Children in colourful dresses and caps during Pravaśanaotsavam, the school reopening celebrations to welcome first graders, at Cotton Hill school in Thiruvananthapuram on Friday

Debatable benefits of farm loan waivers

FOCUS

Nilanjan Banik

On the eve of Karnataka election, waiver of farm loans was one of the major election promises. Now, Chief Minister H.D. Kumaraswamy wants to fulfill his pre-poll promise and has even threatened to resign if he cannot fulfill his promise. As has been seen time and time again, the concept 'farmers first' provides political mileage. With more than 55 per cent of Indians earning their livelihood from the agricultural sector, it comes as no surprise that political parties like to place their bets on farmers' cause. However, the real benefit to the farmers won't come from loan waivers. Westudied responses to farmer distress in Andhra Pradesh and Rajasthan (Farmer Distress: An Analysis of Intervention in Rajasthan and Andhra Pradesh, India Consensus Report, 2018). Of the two states, farmer distress appears more pronounced in Andhra Pradesh, which has one of the highest national rates of farmer suicides at 47 self-inflicted deaths per 1,000 population between 2010 and 2012. Nationally, between 2012 and 2015, over 10,000 farmers committed suicide. Last year, Uttar Pradesh, Maharashtra

and Punjab undertook large-scale farm debt waivers, costing half a percent of the entire GDP of India, and Andhra Pradesh recently announced a loan waiver costing ₹ 24,000 crore. However, our study as well as other academic literature finds that a loan waiver scheme costs about as much as it achieves. Moreover, it mostly helps richer and bigger farmers, leaving smaller farmers worse-off in the future. Only 15 per cent of the marginal farmers (with less than 1 hectare of landholding) have access to formal credit, so a loan waiver helps them little. In fact, previous waivers have led to banks reducing credit outlay for small farmers during next loan cycle, thereby diminishing their chances of getting formal loans. Loan waiver actually does harm to the small farmers as with less credit outlay from formal sector, the small farmers increasingly have to depend upon informal sector. The cost difference for loan rates between formal and informal sector is between 30 per cent and 45 per cent, annually. In terms of generating benefit-cost ratio, our work for Andhra Pradesh shows that

waiving for mal loans for land holders with less than two hectares would cost ₹ 24,860 crores. The benefits will be slightly lower at ₹ 24,629 crores. Giving out a rupee to achieve just 99 paise of benefit is a poor deal. It also means a 15 per cent reduction in small holder credit over the following years, cutting revenue for the most vulnerable farmers by 13.5 per cent. Importantly, spending thousands of crores on less effective policy leaves less for much more effective ones. The benefit-cost ratio for Rajasthan also yields a value less than 1 suggesting undertaking loan waiver programs does not make sense at all.

Evidence suggests it is the big farmers who usually corner bulk of the formal loan and that too to buy farm equipments like tractors, combine harvesters, etc. Small farmers, on the other hand, often sell their output forward to the village level aggregators (Arthiya) from whom they

typically take loan for growing crops at a higher rate. These marginal farmers do not have access to cold storage. It is impossible for them to get a space in the state storage facilities without political patronage, and also because the smaller farmers do not grow enough to book an entire crate in warehouses. Nearly 20 per cent of India's fresh produce is wasted because of storage problems.

Globally, India has second largest amount of arable land (next only to USA) but less than 35 per cent of this land comes under irrigation. And when crop fails because of a bad rainfall year, the smaller farmers bear the brunt. The median annual wage for a farmer in India is around US \$290 which is barely two months' minimum wage in Mumbai - the commercial capital of India. This has led to unequal income distribution in India with rural-urban wage gap at 45 per cent in

comparison to around 10 per cent for China and Indonesia. Some 850 million people still live in rural India. India has around 260 million people living in poverty and 80 per cent of them live in the countryside.

Loan waivers are not a panacea for these marginal farmers. Instead supply side intervention, such as electrification of villages, rain water harvesting, and building roads and canals will help to mitigate losses due to crop failures. Additionally, other factors such as reforming Agricultural Produce Market Committee (APMC) Act are necessary. Lack of reforms in the APMC Act prevents small farmers from selling directly to supermarkets, exporters, and agro-processors. With reforms and introduction of e-market will gainfully help them. As evidence from Rajasthan suggest, because of introduction of e-market farmers witnessed a price premium of 13 per cent. Waiver off farm loan may help any political party win election once. For them to win election therefore, it is important to undertake policy measures that will make a real difference in the life of poor farmers. (IPA)

Conventional Crossword

1	2	3	4	5	6	7
8				9		
		10				
11	12		13			
				14	15	16
17	18	19		20	21	22
						23
24	25					
			27			
28						29

- | | | | |
|---------------|-----------------|-------------|---------------|
| ACROSS | | DOWN | |
| 1 | Goal | 1 | Operatic air |
| 8 | Evil spirits | 2 | Planet |
| 9 | Summit | 3 | Dexterous |
| 9 | Sheltered side | 4 | Have being |
| 10 | Having an end | 5 | Oily fruit |
| 11 | Useful things | 6 | Fish trap |
| 14 | Long lock | 7 | Oozes |
| 17 | Worker in stone | 12 | Briny |
| 20 | come forth | 13 | Self |
| 24 | Struggle | 15 | Cereal |
| 25 | Digit | 16 | Drop |
| 27 | Catch sight of | 17 | Sail supports |
| 28 | Direct a course | 18 | Merry frolic |
| 29 | Bastard | 19 | Age time |
| | | 21 | Untidy state |
| | | 22 | Narrow beams |
| | | 23 | Whirlpool |
| | | 25 | Small child |

SUDOKU: 2211

		9	8				1	
	8	4			7			
3			6	9				8
	2				9		3	4
		3				9		
7	9		5				2	
9				5	6			3
			1				7	9
	3				8	5		

Yesterday's Solution 2210

1	2	7	9	8	5	4	3	6
9	5	4	6	3	2	8	1	7
3	8	6	4	7	1	2	5	9
4	9	5	8	2	6	1	7	3
2	3	1	7	9	4	6	8	5
6	7	8	1	5	3	9	2	4
5	1	2	3	6	9	7	4	8
8	4	9	5	1	7	3	6	2
7	6	3	2	4	8	5	9	1

Yesterday's Cross Word Solution 219

M	E	S	A		F	C			
O	E	M	U		M	E	N	U	
D	R	A	B		M	I	N	O	R
E	M	O	L	A	R	I	T		
S	P	A			D	E	F	E	R
T	E	N	D	S			U	S	E
		N	A		U	N	T	S	A
P	A	D	R	E	I	S	I	S	
A	L	O	E		A	R	E	O	
N	T				E	D	E	N	

DISCLAIMER
The views in the articles published here are absolutely the views of the author and The Echo of India does not stand liable for them.